

Speech by FS at Asian Insurance Forum 2019 Keynote Luncheon (English only) (with photo/video)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Asian Insurance Forum 2019 Keynote Luncheon today (December 10):

Moses (Chairman of the Insurance Authority, Dr Moses Cheng), Clement (Chief Executive Officer of the Insurance Authority, Mr Clement Cheung), distinguished guests, ladies and gentlemen,

It is a pleasure to join you today at the Asian Insurance Forum Luncheon.

It is always a pleasure to speak to the insurance industry and the people who have made it so successful – so important to the financial services sector and Hong Kong economy as a whole.

That said, there is little pleasure for me, and I'm sure for all of you here today, in discussing the shape of the Hong Kong economy.

Forecasts of Hong Kong's economic growth in 2019 by the International Monetary Fund and private sector analysts range from -2.1 per cent to +0.7 per cent. Our own estimate is -1.3 per cent.

At best, it is a distressing result. The reasons behind this are both global and local.

Globally, the protracted trade dispute between the United States and China has put a brake on global GDP this year, while disrupting the Hong Kong economy.

And, of course, the social unrest in Hong Kong over the past few months has severely affected our economy, particularly tourist trade and related industries. The volume of retail sales fell sharply by 19.5 per cent in the third quarter, and then almost 25 per cent in October, which is indeed the worst decline on record.

To counter the increasingly bleak economic environment, I have announced several rounds of relief measures to support companies and to help alleviate the burden weighing on the people of Hong Kong.

These measures include a new loan scheme with a 90 per cent guarantee from the Government, electricity subsidy, rate concession, waiver of Government fees and charges, etc, just to name a few. Nevertheless, they alone would not solve all our problems.

What will help locally is finding a way forward through community dialogue. The Government, let me assure you, is working very hard to make that happen.

No less important, we must ensure that Hong Kong's institutional strengths remain uncompromised. I'm talking of the "one country, two systems" framework, the rule of law, the independent judiciary, an open and free society, the free flow of capital, goods and talents, freely convertible currency, and our simple and low tax regime.

As for the insurance industry, I believe that the theme of this year's Forum, "Connectivity and Innovation – the Key to Competitiveness and Inclusiveness", is certainly relevant.

Over the past few months, I have done a good deal of business travelling, from South America to North America and on to the United Kingdom, and I've noticed that "innovation" is a recurring element among most of these visits and meetings.

In October, for example, I led a Hong Kong fintech business delegation to London to promote fintech co-operation. We met with local industry leaders and regulators and explored a variety of innovative fintech opportunities.

In November, I attended the Hong Kong Fintech Week, a showcase event that combined innovation lab visits as well as industry-driven side events and education.

Wherever I went, it was abundantly clear to me, and those I talked with, that innovation is the key to global competitiveness.

For the insurance sector, innovation spurs new service ideas and products and creates alternative distribution channels to reach out to underserved customers and those among the public still unserved. This can narrow the protection gap, while broadening financial inclusiveness.

In that regard, I am happy to note that the Future Task Force of the Insurance Industry has been set up. It will work hand in hand with the Insurance Authority in exploring insurance industry prospects and possibilities. That includes insurtech.

I spoke of connectivity a moment ago. Our ever-deepening economic connectivity with the Mainland will contribute to our competitiveness long down the insurance road.

The Central Government announced 16 policy measures following the third meeting of the leading group for the development of the Greater Bay Area last month. Three of these measures were related to the insurance industry.

Let me briefly run through them for you. The first measure is the extension of preferential treatment. Capital requirements on Mainland insurers will be reduced when they cede their business to qualified Hong Kong

reinsurers.

The second measure removes the operating experience requirement for Hong Kong service suppliers looking to provide insurance-loss adjusting services on the Mainland.

The third measure affirms the Central Government's support for Mainland insurers wishing to issue catastrophe bonds in Hong Kong.

Taken together, these measures will enhance our regional competitiveness, encourage companies to expand into the Greater Bay Area and reinforce Hong Kong's position as the insurance hub of Asia.

There are also encouraging developments under CEPA – our free trade pact with the Mainland. Just a few weeks ago, the Hong Kong SAR Government and the Ministry of Commerce signed an amendment agreement under CEPA. It updates the liberalisation and facilitation of trade in services implemented in 2016.

For the insurance sector, the amendment agreement introduces a number of new measures. They include the removal of specific market-entry requirements for insurance companies and the removal of the maximum shareholding percentage allowed for Hong Kong companies in Mainland insurance companies.

It also relaxes requirements for Hong Kong insurance agencies setting up companies in the Mainland, making it easier for them to tap into the vast Mainland market.

If you're looking to the Mainland for new business opportunities, I know that the Insurance Authority, which works closely with its Mainland counterparts, will be pleased to advise you on all the details.

Then there is the Belt and Road Initiative, designed to promote market integration and expand connectivity among economies, cultures and peoples.

Hong Kong is indeed well positioned to provide insurance and re-insurance for large-scale infrastructure projects along the Belt and Road.

Hong Kong is also an ideal domicile for Mainland companies looking to establish captive insurance companies to meet their risk management needs as they go global.

According to a research paper produced by a major international insurance corporation, up to 2016, Belt and Road projects had a value of US\$1.2 trillion, and the insurance premium potential from such projects was estimated at US\$7 billion.

It was also estimated that Belt and Road construction projects from August 2016 to 2030 could generate another US\$27 billion in insurance premiums.

The Insurance Authority, I'm pleased to note, under the capable

leadership of Moses and Clement, has established a Belt and Road insurance exchange platform. It's designed to promote the exchange of intelligence, to build alliances and enable networking. In short, it will help the industry seize the far-reaching promise of the Belt and Road Initiative.

To take full advantage of the opportunities, we will need to find a continuing supply of financial talent.

The Government's Pilot Programme to Enhance Talent Training for the Insurance Sector has been doing just that since 2016.

As of October, more than 4 000 practitioners have participated in courses under the Pilot Programme. They include technical courses, as well as the latest international developments on insurance industry regulation.

The Hong Kong Academy of Finance, announced in my 2018-19 Budget, was established in June this year. It enjoys the participation of the Hong Kong Monetary Authority, the Securities and Futures Commission, the Mandatory Provident Fund Schemes Authority and, of course, the Insurance Authority.

Ladies and gentlemen, Hong Kong is in a testing time. And we have much to do to resolve our difficulties in a peaceful and harmonious manner. But, in good time, we will do so. In good time, our community, as well as our economy, will find its way forward again. And in that, we will all be beneficiaries.

I wish you all a rewarding afternoon, and the best of business in 2020.

Thank you very much.

